

CONFIDENTIAL

6 May 1957

MEMORANDUM FOR: Colonel White

1. Several months ago I became interested in the possibility of payroll deduction of premiums for the various kinds of hospitalization, medical and life insurance available to Agency employees. These premiums are collected by a very expensive method and because of the large numbers of participating employees the total of direct and indirect cost is believed to be quite high. Obviously, if these premiums could be collected by machine methods through the medium of payroll deductions (as is done in the case of the unvouchered payroll), overhead costs and even personnel slots could be reduced.
2. Only cursory research was required to find this kind of economy beyond attainment due to a long and unbroken line of Decisions of the Comptroller General in interpretation of a sixty-year-old statute.
3. Payroll deductions for U.S. Treasury Savings Bonds and for "Eisenhower" life insurance are based on specific statutory authorization and these exceptions to the general rule are important as precedents.
4. The attached bill introduced by Mr. Holifield (H.R. 7034) incorporates several principal features of interest to the Agency as an employer. One of these is provision for employer contribution to medical and hospitalization insurance. Another is provision for payroll deduction of employee premiums.
5. If I correctly judge the temper of the present Congress, concern for fiscal economy will rule out the proposed bill which would cost several hundred million dollars in employer contributions. However, the feature providing statutory authorization for payroll deductions would permit significant economies in this Agency, and no doubt, through much of government. Office of Personnel should staff out the Agency position on this proposed legislation but it is recommended that the Agency consider the possibility of supporting separately the provision for payroll deductions.

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